

Plan 3 Vesting

Background

New Plan 3 members of TRS, SERS, and PERS are vested in the defined benefit portion of their Plan after ten years of service or after five years of service if 12 months of that service is earned after attaining age 54. Plan 3 members are immediately vested in the defined contribution side of their Plan. Those who transferred from Plan 2 to Plan 3 were automatically vested if they had five years of service in Plan 2 as of July 1, 1996, September 1, 2000 and June 1, 2003, the initial transfer dates for TRS, SERS and PERS respectively.

Committee Activity

Presentation:

October 21, 2003 – Full Committee

November 18, 2003 – Full Committee Meeting

Proposal Approved:

November 18, 2003 – Full Committee Meeting

Recommendation to Legislature

Reduce the required length of service for defined benefit vesting in PERS, SERS and TRS plans 3 from 10 years to 5 years for all members.

Staff Contact

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Select Committee on Pension Policy

Plan 3 Vesting

(November 10, 2003)

Issue

Reducing the required length of service for vesting in PERS 3, SERS 3, and TRS 3 from 10 years to five years.

Staff

Laura Harper (360) 586-9237

Members Impacted

As of the most recent valuation, nearly 48,600 plan 3 members had less than 10 years of service or were not vested in plan 2 on July 1, 1996 in TRS, September 1, 2000 in SERS or June 1, 2003 in PERS, or did not have 5 years of service including 12 months after age 54. Any of these non-vested members wouldn't be affected by this bill if they would quit with between 5 to 10 years of service and before they earned 12 months of service after age 54.

Current Situation

New Plan 3 members of TRS, SERS, and PERS are vested in the defined benefit portion of their Plan after ten years of service, or after five years of service if 12 months of that service is earned after attaining age 54. Plan 3 members are immediately vested in the defined contribution side of their Plan. Those who transferred from Plan 2 to Plan 3 were automatically vested if they had five years of service in Plan 2 as of July 1, 1996, September 1, 2000 and June 1, 2003, the initial transfer dates for TRS, SERS and PERS respectively.

History

SHB 1298 was introduced in the 2003 legislative session. The bill would have shortened the vesting period in the Plans 3 from 10 years to 5 years. The bill passed the House. The bill was not heard in the Senate.

Policy Analysis

While the 10 year vesting period for the Plans 3 is the longest among the open plans administered by Washington State, compared to other plans in other states it is not unusual. Numerous state and municipal retirement plans use a 10 year vesting period. In the latest survey from the Public Pension Coordinating Council, covering 276 public retirement plans, a total of 96 plans had vesting requirements of 10 years or more. Over 40 of those plans were administered by twenty-five states or territories, in addition to Washington. In comparison, 132 plans had vesting requirements of 5 years or less.

Why 10?

When the Plans 3 were on the drawing board, one of the concerns was the small defined benefit a member would receive if they earned only a modest amount of service credit before full retirement. It was felt that the 10% of average final compensation (AFC) a plan 2 member would be eligible to receive upon vesting (5 years \times 2% per year) would set the standard for a minimum defined benefit. Thus, setting the vesting period in the plans 3 to 10 years guaranteed vested members 10% of their AFC as a minimum defined benefit (10 years \times 1% per year).

Other States

While the 10 year vesting period for the Plans 3 is the longest among the open plans administered by Washington State, numerous state and municipal retirement plans use a 10 year vesting period. In the latest survey from the Public Pension Coordinating Council, covering 276 public retirement plans, 96 plans had vesting requirements of 10 years or more. In comparison, 132 plans had vesting requirements of 5 years or less. See attachment.

Bill Draft

See attachment

Fiscal Note (Draft)

See attachment

Active Members and Vesting Requirements by Plan

Source: Public Pension Coordinating Council Survey 2002 (2000-2001 data)

| ID# | PLAN NAME | Members | Vesting Requirement |
|-------|--|---------|---|
| 0376G | West Virginia Teacher's Defined Contribution Plan | 19,000 | 1/3 after 6 years; 2/3 after 9 years; 100% after 12 years |
| 0020A | PARK EMPLOYEES & RET. BOARD EMPLOYEES ANNUITY AND BENEFIT FUND OF CHICAGO | 3,639 | 10 YEARS |
| 0247A | OAKLAND POLICE & FIRE RETIREMENT FUND | 161 | 10 YEARS |
| 0283A | City Pension Fund for Firefighters and Police Officers in the City of Pembroke Pines | 364 | 10 years |
| 0314C | BISMARCK FIREFIGHTERS RELIEF ASSOCIATION | 62 | 10 YEARS |
| 0376D | West Virginia State Police Retirement Plan□□(Trooper Plan B) | 323 | 10 years |
| 0497B | Macon Water Authority Employee Pension Plan | 205 | 10 years |
| 0672A | New York City Pension Fund -- Subchapter 2 | 11,477 | 10 years |
| 0022A | Dukes County Contributory Retirement Plan | 932 | 10 years at age 55 |
| 0083A | OKLAHOMA TEACHERS' RETIREMENT SYSTEM | 83,024 | 10 YEARS OF OKLAHOMA SERVICE |
| 0005C | RETIREMENT SYSTEMS OF ALABAMA TEACHERS' PLAN | 126,558 | 10 YEARS OF SERVICE |
| 0010A | TEACHERS' RETIREMENT SYSTEM OF LA - REGULAR EMPLOYEES | 87,631 | 10 YEARS OF SERVICE |
| 0010B | TEACHERS' RET. SYSTEM OF LA - SCHOOL FOOD SERVICE PLAN B | 2,115 | 10 YEARS OF SERVICE |
| 0010C | TEACHERS' RET. SYSTEM OF LA - SCHOOL FOOD SERVICE PLAN A | 1,067 | 10 YEARS OF SERVICE |
| 0038A | RETIREMENT SYSTEM FOR SWORN POLICE PERSONNEL | 107 | 10 YEARS OF SERVICE |
| 0015A | CONNECTICUT TEACHERS' RETIREMENT SYSTEM | 46,500 | 10 YEARS OF SERVICE |
| 0016A | PLYMOUTH COUNTY RETIREMENT ASSOCIATION | 9,098 | 10 YEARS OF SERVICE |
| 0017A | MIAMI FIRE FIGHTERS' AND POLICE OFFICERS' RETIREMENT TRUST | 1,587 | 10 YEARS OF SERVICE |
| 0024A | STERLING HEIGHTS POLICE AND FIRE RETIREMENT PLAN | 261 | 10 YEARS OF SERVICE |
| 0064B | EMPLOYEES' RETIREMENT SYSTEM OF GEORGIA - PUBLIC SCHOOL | 32,864 | 10 YEARS OF SERVICE |
| 0064C | EMPLOYEES' RETIREMENT SYSTEM OF GEORGIA - JUDICIAL | 416 | 10 YEARS OF SERVICE |
| 0004A | TEXAS MUNICIPAL RETIREMENT SYSTEM | 86,203 | 10 YEARS OF SERVICE |
| 0005A | RETIREMENT SYSTEMS OF ALABAMA EMPLOYEES | 75,734 | 10 YEARS OF SERVICE |
| 0064A | EMPLOYEES' RETIREMENT SYSTEM OF GEORGIA - GENERAL | 72,176 | 10 YEARS OF SERVICE |
| 0067A | TEACHERS' PENSION AND ANNUITY FUND OF NEW JERSEY | 134,199 | 10 YEARS OF SERVICE |
| 0068A | POLICE AND FIREMEN'S RETIREMENT SYSTEM OF NEW JERSEY | 42,430 | 10 YEARS OF SERVICE |
| 0069A | PUBLIC EMPLOYEES' RETIREMENT SYSTEM OF NEW JERSEY | 277,441 | 10 YEARS OF SERVICE |
| 0146E | LOS ANGELES COUNTY EMPLOYEES' RET. ASSOC., PLAN E: GENERAL | 31,088 | 10 YEARS OF SERVICE |
| 0071A | LOUISIANA STATE EMPLOYEES' RETIREMENT SYSTEM | 69,680 | 10 YEARS OF SERVICE |
| 0087A | NEW HAMPSHIRE RETIREMENT SYSTEM - GENERAL PLAN/EMPLOYEES | 20,262 | 10 YEARS OF SERVICE |
| 0087C | NEW HAMPSHIRE RETIREMENT SYSTEM - POLICE PLAN | 3,254 | 10 YEARS OF SERVICE |
| 0087D | NEW HAMPSHIRE RETIREMENT SYSTEM - FIREFIGHTERS PLAN | 1,269 | 10 YEARS OF SERVICE |
| 0120A | CITY OF BOCA RATON GENERAL EMPLOYEES' TRUST | 628 | 10 YEARS OF SERVICE |
| 0131A | MWRD RETIREMENT FUND | 2,084 | 10 years of service |
| 0148A | TEACHERS RETIREMENT SYSTEM OF GEORGIA | 191,908 | 10 YEARS OF SERVICE |
| 0154B | NORTH DAKOTA HIGHWAY PATROL RETIREMENT PLAN | 122 | 10 YEARS OF SERVICE |
| 0156B | WICHITA POLICE AND FIRE RETIREMENT SYSTEM | 993 | 10 YEARS OF SERVICE |
| 0161A | INDIANA STATE TEACHERS' RETIREMENT PLAN | 77,870 | 10 YEARS OF SERVICE |
| 0163A | CHICOPEE RETIREMENT SYSTEM | 1,140 | 10 YEARS OF SERVICE |
| 0168A | FLORIDA RETIREMENT SYSTEM | 597,823 | 10 YEARS OF SERVICE |
| 0181A | MICHIGAN PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM | 312,699 | 10 YEARS OF SERVICE |
| 0182A | MICHIGAN STATE POLICE RETIREMENT SYSTEM | 2,210 | 10 YEARS OF SERVICE |
| 0185A | MICHIGAN STATE EMPLOYEES' RETIREMENT SYSTEM | 47,778 | 10 YEARS OF SERVICE |
| 0193A | KANSAS PUBLIC EMPLOYEES RETIREMENT PLAN | 142,870 | 10 YEARS OF SERVICE |
| 0223A | CITY OF ALPENA - GENERAL | 48 | 10 YEARS OF SERVICE |
| 0224A | LA COUNTY METRO TRANSIT AUTHORITY - UTU RIP | 3,944 | 10 YEARS OF SERVICE |
| 0224B | LA COUNTY METRO TRANSIT AUTHORITY - MAINTENANCE EMPLOYEES | 2,023 | 10 YEARS OF SERVICE |
| 0224C | LA COUNTY METRO TRANSIT AUTHORITY - TCU RIP | 697 | 10 YEARS OF SERVICE |
| 0226A | CITY OF MANISTEE EMPLOYEES RETIREMENT SYSTEM | 62 | 10 YEARS OF SERVICE |
| 0255A | OKLAHOMA POLICE PENSION AND RETIREMENT PLAN | 3,778 | 10 YEARS OF SERVICE |

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| 0269A | KANSAS CITY (MO) FIREFIGHTERS' PENSION SYSTEM | 761 | 10 YEARS OF SERVICE |
| 0293A | CITY OF MILFORD - BENEFIT PLAN I | 700 | 10 YEARS OF SERVICE |
| 0314A | CITY OF BISMARCK CITY PENSION PLAN | 307 | 10 YEARS OF SERVICE |
| 0314B | CITY OF BISMARCK POLICE PENSION PLAN | 143 | 10 YEARS OF SERVICE |
| 0335A | LYNN HAVEN POLICE PENSION PLAN | 27 | 10 YEARS OF SERVICE |
| 0337A | LYNN HAVEN GENERAL EMPLOYEE PENSION PLAN | 74 | 10 YEARS OF SERVICE |
| 0340A | A.S.G GENERAL EMPLOYEES PLAN | 4,050 | 10 YEARS OF SERVICE |
| 0372A | EMPLOYEES RETIREMENT SYSTEM OF RHODE ISLAND | 26,738 | 10 YEARS OF SERVICE |
| 0372B | MUNICIPAL EMPLOYEES RETIREMENT SYSTEM | 6,983 | 10 YEARS OF SERVICE |
| 0372C | STATE POLICE RETIREMENT BENEFITS TRUST | 130 | 10 YEARS OF SERVICE |
| 0381A | CITY OF ALAMEDA POLICE AND FIRE RETIREMENT PLAN 1079 (CLOSED TO NEW MEMBERS) | 0 | 10 YEARS OF SERVICE |
| 0381B | CITY OF ALAMEDA POLICE & FIRE PLAN 1082 (CLOSED TO NEW MEMBERS) | 0 | 10 YEARS OF SERVICE |
| 0388A | TOWN OF AVON POLICE RETIREMENT PLAN | 25 | 10 YEARS OF SERVICE |
| 0406A | ROSEVILLE CITY EMPLOYEE'S RETIREMENT PLAN | 308 | 10 YEARS OF SERVICE |
| 0413A | CITY OF CADILLAC POLICEMEN AND FIREMENT RETIREMENT SYSTEM | 29 | 10 YEARS OF SERVICE |
| 0414A | CITY OF BIRMINGHAM (MI) EMPLOYEES RETIREMENT SYSTEM | 197 | 10 YEARS OF SERVICE |
| 0423A | STATE POLICE RETIREMENT SYSTEM OF NEW JERSEY | 2,623 | 10 YEARS OF SERVICE |
| 0425A | PRISON OFFICERS' PENSION FUND OF NEW JERSEY | 0 | 10 YEARS OF SERVICE |
| 0437A | CITY OF WHEELING EMPLOYEES' RETIREMENT AND BENEFIT FUND | 240 | 10 YEARS OF SERVICE |
| 0465A | LONG BEACH TRANSIT PENSION PLAN - SALARIED EMPLOYEES | 117 | 10 YEARS OF SERVICE |
| 0786A | VIRGIN ISLANDS GOVERNMENT EMPLOYEES' RETIREMENT PLAN | 16,861 | 10 YEARS OF SERVICE |
| 0072A | ARKANSAS TEACHERS' RETIREMENT SYSTEM | 58,528 | 10 YEARS OF SERVICE (7/1/98 -5 YEARS) |
| 0278A | CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM * | 715,105 | 10 YEARS OF SERVICE FOR TIER 2/5 YEARS SERVICE FOR TIER 1 |
| 0121A | PENNSYLVANIA STATE EMPLOYEES' RETIREMENT SYSTEM | 112,044 | 10 YEARS OF SERVICE OR 3 YEARS AT AGE 60 |
| 0235B | NEBRASKA PERS STATE PATROL RETIREMENT PLAN | 386 | 10 YEARS OF SERVICE, SCHEDULE OF 20% PER YEAR FROM 6-10 YRS |
| 0057C | WYOMING PAID FIREMEN'S PLAN | 282 | 10 YEARS OF SERVICE FOR PLAN A; 4 YRS FOR PLAN B |
| 0195H | MONTANA VOLUNTEER FIREFIGHTERS COMPENSATION ACT | 2,537 | 10 YRS |
| 0677A | Springfield Police & Fire Retirement System | 500 | 10 YRS |
| 0569A | City of Kingsford Police and Firemen Retirement System | 20 | 10 yrs service |
| 0174I | Washington Teachers' Retirement System -- Plan 3 | 35,284 | age 65 with at least 10 years of service |
| 0619A | Holyoke Contributory Retirement System | 1,407 | 10 yrs srv/age 55 20 yrs srv/any age |
| 0124A | CITY OF MIAMI BEACH FIRE & POLICE SUPPLEMENTAL PLAN CITY PENSION FUND. | 486 | 100% AFTER 10 YEARS |
| 0497A | Macon Water Authority Employee Pension Plan | 200 | vested with 10 yrs. service |
| 0060B | STATE COLLEGE BOROUGH - POLICE PLAN | 60 | 12 YEARS |
| 0193B | KANSAS POLICE AND FIRE RETIREMENT SYSTEM | 6,560 | 15 YEARS |
| 0407D | FLINT EMPLOYEES RETIREMENT SYSTEM - MEDICAL CENTER | 2,220 | 15 YEARS (10 AT AGE 55) |
| 0174H | WASHINGTON JUDICIAL RETIREMENT SYSTEM | 38 | 15 YEARS OF SERVICE |
| 0418A | POLICE RETIREMENT SYSTEM OF KANSAS CITY, MISSOURI | 1,263 | 15 YEARS OF SERVICE |
| 0376A | West Virginia Judges Retirement System (JRS) | 52 | 16 years service |
| 0183B | State of Michigan Defined Contribution Retirement Plan | 234 | 2 years = 50% , 3 years = 75%, 4 yrs = 100% |
| 0185B | State of Michigan Defined Contribution Retirement Plan | 12,635 | 2 YOS = 50%, 3 YOS = 75%, 4 YOS = 100% |
| 0009A | THE POLICEMEN'S ANNUITY AND BENEFIT FUND OF CHICAGO | 13,858 | 20 YEARS |
| 0019A | OHIO STATE HIGHWAY PATROL RETIREMENT PLAN | 1,545 | 20 YEARS |
| 0759A | HOUSTON FIREFIGHTERS' RELIEF AND RETIREMENT FUND | 3,276 | 20 YEARS |
| 0372D | JUDICIAL RETIREMENT BENEFITS TRUST | 29 | 20 YEARS AGE 65, OR 15 YEARS AGE 75 |
| 0025A | CLAIR T. SINGERMEN EMPLOYEE RETIREMENT SYSTEM | 374 | 20 YEARS AND AGE 55 |
| 0092A | FIRE AND POLICE PENSION FUND, SAN ANTONIO | 3,500 | 20 YEARS OF SERVICE |
| 0190A | TEXAS COUNTY AND DISTRICT RETIREMENT PLAN | 90,633 | 8, 10, OR 12 YEARS, AT PARTICIPATING EMPLOYER'S ELECTION |
| 0386A | COLORADO COUNTY OFFICIALS & EMPLOYEES RET. ASSOC. PLANS | 15,000 | IMMEDIATE; 5 YR; 10 YR-AS ADOPTED BY COUNTIES, MUNICI., & SPEC. DISTRICTS |
| 0043A | MN STATE RETIREMENT SYSTEM GENERAL EMPLOYEES' PLAN | 47,920 | 3 YEARS |
| 0043B | MN STATE RETIREMENT SYSTEM STATE TROOPERS' RETIREMENT PLAN | 830 | 3 YEARS |
| 0043C | MN STATE RETIREMENT SYSTEM CORRECTIONAL EMPLOYEES' PLAN | 2,882 | 3 YEARS |
| 0133A | MN PUBLIC EMPLOYEES' RETIREMENT ASSOC. - COORDINATED PLAN | 135,560 | 3 YEARS |
| 0133B | MN PUBLIC EMPLOYEES' RETIREMENT ASSOC. - POLICE & FIRE PLAN | 9,627 | 3 YEARS |
| 0462B | Employees' Retirement System of Montgomery County (DC Plan) Retirement Savings Plan | 2,544 | 3 YEARS |
| 0405A | MINNESOTA TEACHERS RETIREMENT ASSOCIATION | 70,508 | 3 YEARS OF ALLOWABLE SERVICE |

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| 0023A | BURLINGTON EMPLOYEES' RET. SYSTEM FOR POLICE AND FIRE | 165 | 3 YEARS OF SERVICE |
| 0023B | BURLINGTON EMPLOYEES' RET. SYSTEM FOR GENERAL EMPLOYEES | 534 | 3 YEARS OF SERVICE |
| 0055A | NORTH DAKOTA TEACHERS' FUND FOR RETIREMENT | 10,025 | 3 YEARS OF SERVICE |
| 0178A | SOUTH DAKOTA RETIREMENT SYSTEM | 34,180 | 3 YEARS OF SERVICE |
| 0006A | PERS OF MISSISSIPPI GENERAL PLAN | 151,790 | 4 YEARS |
| 0057D | WYOMING PUBLIC EMPLOYEES' SYSTEM | 31,492 | 4 YEARS |
| 0165E | UTAH FIREFIGHTER'S RETIREMENT SYSTEM | 1,452 | 4 YEARS |
| 0165A | UTAH PUBLIC EMPLOYEES' CONTRIBUTORY RETIREMENT SYSTEM | 3,972 | 4 YEARS OF SERVICE |
| 0165B | UTAH PUBLIC EMPLOYEES' NON-CONTRIBUTORY RETIREMENT SYSTEM | 81,894 | 4 YEARS OF SERVICE |
| 0165C | UTAH PUBLIC SAFETY PLAN | 6,839 | 4 YEARS OF SERVICE |
| 0165F | UTAH GOVERNORS AND LEGISLATIVE PENSION PLAN | 88 | 4 YEARS OF SERVICE |
| 0452A | Municipal Fire & Police Retirement System of Iowa | 3,843 | 4 years of service |
| 0278B | CALIFORNIA LEGISLATORS' RETIREMENT SYSTEM | 28 | 4 YEARS OF SERVICE CREDIT |
| 0066A | EMPLOYEES' RETIREMENT SYSTEM OF TEXAS | 152,167 | 5 YEARS |
| 0376C | West Virginia Public Safety Death, Disability and Retirement Plan (Trooper Plan A) | 360 | 5 years |
| 0211A | MENDOCINO COUNTY ERA | 1,347 | 5 YEARS |
| 0278C | JUDGES' RETIREMENT SYSTEM I (JRS I) | 1,091 | 5 YEARS |
| 0376E | West Virginia Teacher's Retirement System (TRS) | 25,278 | 5 years |
| 0376F | West Virginia Public Employees Retirement System (PERS) | 33,976 | 5 years contributory service |
| 0013A | PA PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM | 234,210 | 5 YEARS OF SERVICE |
| 0043D | MN STATE RETIREMENT SYSTEM JUDGES' RETIREMENT PLAN | 282 | 5 YEARS OF SERVICE |
| 0048B | KENTUCKY COUNTY EMPLOYEES' RETIREMENT SYSTEM - NON HAZARDOUS | 77,419 | 5 YEARS OF SERVICE |
| 0048C | KENTUCKY EMPLOYEES' RETIRMENT SYSTEM - HAZARDOUS | 4,007 | 5 YEARS OF SERVICE |
| 0036A | MISSOURI LOCAL GOVERNMENT EMPLOYEES' RETIREMENT PLAN | 28,491 | 5 YEARS OF SERVICE |
| 0001A | PERS OF NEVADA GENERAL EMPLOYEES' PLAN | 71,924 | 5 YEARS OF SERVICE |
| 0001B | PERS OF NEVADA POLICE/FIRE EMPLOYEES' PLAN | 8,910 | 5 YEARS OF SERVICE |
| 0003A | SOUTH CAROLINA RETIREMENT SYSTEM - GENERAL PLAN | 204,710 | 5 YEARS OF SERVICE |
| 0003B | SOUTH CAROLINA RETIREMENT SYSTEM - POLICE OFFICERS' PLAN | 24,827 | 5 YEARS OF SERVICE |
| 0005B | RETIREMENT SYSTEMS OF ALABAMA JUDICIAL PLAN | 351 | 5 YEARS OF SERVICE |
| 0048D | KENTUCKY STATE POLICE RETIREMENT SYSTEM | 1,023 | 5 YEARS OF SERVICE |
| 0048E | KENTUCKY COUNTY EMPLOYEES' RETIREMENT SYSTEM - HAZARDOUS | 7,951 | 5 YEARS OF SERVICE |
| 0058A | CHATHAM COUNTH EMPLOYEES' RETIREMENT PLAN | 1,613 | 5 YEARS OF SERVICE |
| 0060A | STATE COLLEGE BOROUGH - GENERAL PLAN | 126 | 5 YEARS OF SERVICE |
| 0062A | PORTLAND FIRE AND POLICE DISABILITY AND RETIREMENT FUND | 1,546 | 5 YEARS OF SERVICE |
| 0147A | PERS OF IDAHO - GENERAL MEMBERS | 55,297 | 5 YEARS OF SERVICE |
| 0147B | PERS OF IDAHO - POLICE/FIRE MEMBERS | 5,091 | 5 YEARS OF SERVICE |
| 0195G | MONTANA FIREFIGHTERS UNIFIED RETIREMENT SYSTEM | 419 | 5 YEARS OF SERVICE |
| 0376B | West Virginia Deputy Sheriff's Retirement System (DSRS) | 468 | 5 years of service |
| 0070A | TACOMA EMPLOYEES' RETIREMENT SYSTEM | 2,814 | 5 YEARS OF SERVICE |
| 0075A | Defined Benefit Plan for City Employees | 6,655 | 5 YEARS OF SERVICE |
| 0075B | City of Cincinnati Employees Retirement System | 6,655 | 5 YEARS OF SERVICE |
| 0079A | OHIO SCHOOL EMPLOYEES' RETIREMENT SYSTEM | 113,811 | 5 YEARS OF SERVICE |
| 0095A | FT. LAUDERDALE GENERAL EMPLOYEES RETIREMENT SYSTEM | 1,363 | 5 YEARS OF SERVICE |
| 0096A | TEACHER RETIREMENT SYSTEM OF TEXAS | 0 | 5 YEARS OF SERVICE |
| 0097A | LONG BEACH TRANSIT PENSION PLAN - CONTRACT EMPLOYEES | 495 | 5 YEARS OF SERVICE |
| 0104A | TENNESSEE CONSOLIDATED RETIREMENT SYSTEM | 190,344 | 5 YEARS OF SERVICE |
| 0107A | CALIFORNIA STATE TEACHERS' RETIREMENT SYSTEM DEFINED BENEFIT PLAN | 385,530 | 5 YEARS OF SERVICE |
| 0109A | TUCSON SUPPLEMENTAL RETIREMENT SYSTEM | 3,484 | 5 YEARS OF SERVICE |
| 0111A | PUBLIC SCHOOL TEACHERS' PENSION & RETIREMENT FUND OF CHICAGO | 35,400 | 5 YEARS OF SERVICE |
| 0113A | VIRGINIA RETIREMENT SYSTEM | 286,234 | 5 YEARS OF SERVICE |
| 0125A | PUBLIC EMPLOYEES' RETIREMENT ASSOCIATION OF COLORADO | 162,106 | 5 YEARS OF SERVICE |
| 0126A | FAIRFAX COUNTY UNIFORMED RETIREMENT SYSTEM | 1,570 | 5 YEARS OF SERVICE |
| 0127A | FAIRFAX COUNTY SUPPLEMENTAL RETIREMENT SYSTEM | 13,044 | 5 YEARS OF SERVICE |
| 0128A | FAIRFAX COUNTY POLICE OFFICERS' RETIREMENT SYSTEM | 1,115 | 5 YEARS OF SERVICE |
| 0137A | NEW YORK STATE TEACHERS' RETIREMENT SYSTEM | 224,986 | 5 YEARS OF SERVICE |
| 0138A | MISSOURI STATE EMPLOYEES' RETIREMENT PLAN | 57,774 | 5 YEARS OF SERVICE |

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| 0138D | MISSOURI STATE EMPLOYEES' PLAN 2000 | 0 | 5 years of service |
| 0143A | ST LOUIS COUNTY LIBRARY DISTRICT EMPLOYEES' PENSION PLAN | 316 | 5 YEARS OF SERVICE |
| 0144A | OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM | 158,988 | 5 YEARS OF SERVICE |
| 0146A | LOS ANGELES COUNTY EMPLOYEES RETIREMENT ASSOC. PLAN A GENERAL | 7,560 | 5 YEARS OF SERVICE |
| 0147C | PERS OF IDAHO - FIREFIGHTERS RETIREMENT FUND (CLOSED PLAN) | 129 | 5 YEARS OF SERVICE |
| 0154A | NORTH DAKOTA PUBLIC EMPLOYEES' RETIREMENT SYSTEM - GENERAL | 17,231 | 5 YEARS OF SERVICE |
| 0159A | FORT WORTH EMPLOYEES' RETIREMENT FUND | 5,423 | 5 YEARS OF SERVICE |
| 0174A | WASHINGTON PUBLIC EMPLOYEES' RETIREMENT SYSTEM - PLAN I | 28,167 | 5 YEARS OF SERVICE |
| 0174B | WASHINGTON PUBLIC EMPLOYEES' RETIREMENT SYSTEM - PLAN II | 168,213 | 5 YEARS OF SERVICE |
| 0174C | WASHINGTON TEACHERS' RETIREMENT SYSTEM - PLAN I | 18,737 | 5 YEARS OF SERVICE |
| 0174D | WASHINGTON TEACHERS' RETIREMENT SYSTEM - PLAN II/III | 8,663 | 5 YEARS OF SERVICE |
| 0174E | WASHINGTON LAW ENFORCEMENT AND FIRE FIGHTERS' PLAN I | 1,743 | 5 YEARS OF SERVICE |
| 0174F | WASHINGTON LAW ENFORCEMENT AND FIRE FIGHTERS' PLAN II | 12,713 | 5 YEARS OF SERVICE |
| 0174G | WASHINGTON STATE PATROL RETIREMENT SYSTEM | 968 | 5 YEARS OF SERVICE |
| 0177A | PUBLIC SCHOOL RETIREMENT SYSTEM OF THE CITY OF ST. LOUIS | 6,100 | 5 YEARS OF SERVICE |
| 0194A | CONTRA COSTA COUNTY EMPLOYEES' RETIREMENT PLAN - GENERAL | 7,436 | 5 YEARS OF SERVICE |
| 0194B | CONTRA COSTA COUNTY RETIREMENT SYSTEM - POLICE AND FIRE | 1,674 | 5 YEARS OF SERVICE |
| 0195A | MONTANA PUBLIC EMPLOYEES' RETIREMENT SYSTEM | 28,091 | 5 YEARS OF SERVICE |
| 0195B | MONTANA GAME WARDENS AND PEACE OFFICERS RETIREMENT SYSTEM | 494 | 5 YEARS OF SERVICE |
| 0195C | MONTANA JUDGES RETIREMENT SYSTEM | 46 | 5 YEARS OF SERVICE |
| 0195D | MONTANA HIGHWAY PATROL OFFICERS RETIREMENT SYSTEM | 190 | 5 YEARS OF SERVICE |
| 0195E | MONTANA SHERIFFS RETIREMENT SYSTEM | 611 | 5 YEARS OF SERVICE |
| 0195F | MONTANA MUNICIPAL POLICE OFFICERS RETIREMENT SYSTEM | 571 | 5 YEARS OF SERVICE |
| 0202A | NEW YORK STATE & LOCAL EMPLOYEES' RET. SYSTEM - GENERAL | 720,223 | 5 YEARS OF SERVICE |
| 0202B | NEW YORK STATE & LOCAL POLICE AND FIRE RETIREMENT SYSTEM | 31,955 | 5 YEARS OF SERVICE |
| 0206A | MARIN COUNTY EMPLOYEES' RETIREMENT ASSOCIATION | 2,968 | 5 YEARS OF SERVICE |
| 0221A | EAST BAY MUNICIPAL UTILITY DISTRICT | 1,853 | 5 YEARS OF SERVICE |
| 0224D | LA COUNTY METRO TRANSIT AUTH. - NON-CONTRACT EMPLOYEE RIP | 427 | 5 YEARS OF SERVICE |
| 0231A | AURORA GENERAL EMPLOYEES RETIREMENT PLAN | 1,493 | 5 YEARS OF SERVICE |
| 0236A | NEBRASKA DEFINED CONTRIBUTION PLANS - STATE EMPLOYEES | 14,689 | 5 YEARS OF SERVICE |
| 0236B | NEBRASKA DEFINED CONTRIBUTION PLANS - COUNTY EMPLOYEES | 6,872 | 5 YEARS OF SERVICE |
| 0245A | STATE UNIVERSITIES RETIREMENT SYSTEM OF ILLINOIS | 72,365 | 5 YEARS OF SERVICE |
| 0245B | STATE UNIVERSITIES RETIREMENT SYSTEM OF ILLINOIS (DC PLAN) | 5,680 | 5 YEARS OF SERVICE |
| 0277A | CITY OF ST. LOUIS EMPLOYEE RETIREMENT PLAN | 5,948 | 5 YEARS OF SERVICE |
| 0278D | CALIFORNIA JUDGES RETIREMENT FUND (II) | 445 | 5 YEARS OF SERVICE |
| 0291A | MILWAUKEE COUNTY EMPLOYEES' RETIREMENT PLAN | 7,246 | 5 YEARS OF SERVICE |
| 0303A | ALASKA PUBLIC EMPLOYEES' RETIREMENT SYSTEM | 0 | 5 YEARS OF SERVICE |
| 0315A | LOS ANGELES CITY EMPLOYEES' RETIREMENT SYSTEM | 24,234 | 5 YEARS OF SERVICE |
| 0321A | SAN JOAQUIN COUNTY EMPLOYEES' RETIREMENT ASSOCIATION | 5,231 | 5 YEARS OF SERVICE |
| 0325A | CITY OF GERMANTOWN EMPLOYEE RETIREMENT PLAN | 377 | 5 YEARS OF SERVICE |
| 0353A | DENVER EMPLOYEES RETIREMENT PLAN | 10,821 | 5 YEARS OF SERVICE |
| 0368A | Denver Public Schools Retirement System | 7,182 | 5 YEARS OF SERVICE |
| 0373A | PERA OF NEW MEXICO | 54,647 | 5 YEARS OF SERVICE |
| 0374A | STATE EMPLOYEES RETIREMENT SYSTEM OF MARYLAND | 178,456 | 5 YEARS OF SERVICE |
| 0379A | Kern County Employees' Retirement Association | 7,109 | 5 years of service |
| 0387A | CITY OF ENGLEWOOD NON-EMERGENCY PENSION PLAN | 231 | 5 YEARS OF SERVICE |
| 0387B | CITY OF ENGLEWOOD POLICE PENSION PLAN | 11 | 5 YEARS OF SERVICE |
| 0387C | CITY OF ENGLEWOOD FIREFIGHTER'S PENSION PLAN | 10 | 5 YEARS OF SERVICE |
| 0388B | TOWN OF AVON PUBLIC WORKS RETIREMENT PLAN | 14 | 5 YEARS OF SERVICE |
| 0388C | TOWN OF AVON NON-ORGANIZED RETIREMENT PLAN | 32 | 5 YEARS OF SERVICE |
| 0388D | TOWN OF AVON BOARD OF EDUCATION RETIREMENT PLAN | 38 | 5 YEARS OF SERVICE |
| 0388E | Town of Avon 401(a) f.t.Employees' Plan | 26 | 5 YEARS OF SERVICE |
| 0419A | CIVILIAN EMPLOYEES' RETIREMENT SYSTEM OF THE POLICE DEPARTMENT OF K.C., MO. | 583 | 5 YEARS OF SERVICE |
| 0422A | MONTANA TEACHERS' RETIREMENT SYSTEM | 18,205 | 5 YEARS OF SERVICE |
| 0424A | JUDICIAL RETIREMENT SYSTEM OF NEW JERSEY | 414 | 5 YEARS OF SERVICE |
| 0449A | EMPLOYEES' RETIREMENT SYSTEM OF TULSA COUNTY, OKLAHOMA | 1,389 | 5 YEARS OF SERVICE |

| | | | |
|-------|---|---------|---|
| 0453A | CITY OF ARNOLD (MO) POLICE PENSION PLAN | 46 | 5 YEARS OF SERVICE |
| 0454A | SAN BERNARDINO COUNTY EMPLOYEES RETIREMENT ASSOCIATION | 15,858 | 5 YEARS OF SERVICE |
| 0462A | Employees' Retirement System of Montgomery County | 6,396 | 5 YEARS OF SERVICE |
| 0737A | Town of Suffield Pension Plan | 138 | 5 years of service |
| 0146D | LOS ANGELES COUNTY EMPLOYEES' RET. ASSOC., PLAN D: GENERAL | 31,300 | 5 YEARS OF SERVICE AND 10 YEARS OF MEMBERSHIP |
| 0146F | LOS ANGELES COUNTY EMPLOYEES' RET. ASSOC., PLAN A SAFETY | 2,005 | 5 YEARS OF SERVICE AND 10 YEARS OF MEMBERSHIP |
| 0146G | LOS ANGELES COUNTY EMPLOYEES' RET. ASSOC., PLAN B SAFETY | 9,259 | 5 YEARS OF SERVICE AND 10 YEARS OF MEMBERSHIP |
| 0146B | LOS ANGELES COUNTY EMPLOYEES' RET. ASSOC., PLAN B: GENERAL | 556 | 5 YEARS OF SERVICE, 10 YEARS OF MEMBERSHIP |
| 0146C | LOS ANGELES COUNTY EMPLOYEES' RET. ASSOC., PLAN C: GENERAL | 413 | 5 YEARS OF SERVICE, 10 YEARS OF MEMBERSHIP |
| 0063A | TEACHERS' RETIREMENT SYSTEMS OF ILLINOIS | 144,975 | 5 YEARS OF SERVICE; ALSO SINGLE-SUM BENEFIT PAYABLE AT 65 IF < 5 YEARS |
| 0034A | ARKANSAS LOCAL POLICE & FIRE RETIREMENT SYSTEM | 7,983 | 5 YRS |
| 0700A | Defined Benefit - Douglas County Employees Retirement Trust | 0 | 5 yrs |
| 0542A | City of St Petersburg Employee Retirement System | 1,796 | 5 yrs of service |
| 0160A | VIA METROPOLITAN TRANSIT RETIREMENT PLAN | 1,409 | 50% VESTED AT 5 YEARS, GRADED TO 100% AT 10 YEARS OF SERVICE |
| 0043E | MN STATE RETIREMENT SYSTEM LEGISLATORS' RETIREMENT PLAN | 173 | 6 YEARS |
| 0057A | WYOMING WARDEN AND PATROL RETIREMENT PLAN | 260 | 6 YEARS |
| 0165D | UTAH JUDGES' RETIREMENT SYSTEM | 104 | 6 YEARS OF SERVICE |
| 0310A | Iowa Judicial Retirement Fund | 194 | 6 years of service |
| 0007C | ILLINOIS JUDGES' RETIREMENT SYSTEM | 908 | 6 YEARS OF SERVICE (AGE 62); 10 YEARS OF SERVICE (AGE 60); 2 YEARS OF SERVICE (AC |
| 0145A | PERS OF OHIO - STATE AND LOCAL DIVISION | 392,530 | 60 CONTRIBUTING MONTHS |
| 0145B | PERS OF OHIO - LAW ENFORCEMENT DIVISION | 7,389 | 60 CONTRIBUTING MONTHS |
| 0156A | WICHITA EMPLOYEES' RETIREMENT PLAN | 1,018 | 7 YEARS OF SERVICE |
| 0156C | Wichita Employees' Retirement System Plan 3 | 878 | 7 years of service |
| 0217A | LANSING BOARD OF WATER AND LIGHT EMPLOYEES'DEFINED BENEFIT PLAN | 121 | 7 YEARS OF SERVICE |
| 0217B | LANSING BOARD OF WATER AND LIGHT DEFINED CONTRIBUTION PENSION PLANS | 636 | 7 YEARS OF SERVICE |
| 0542B | City of St Petersburg Firefighters Retirement System | 298 | 7 years of service |
| 0542C | City of St Petersburg Police Officers Retirement System | 457 | 7 years of service |
| 0371A | SHELBY COUNTY RETIREMENT SYSTEM | 6,271 | 7 1/2 YEARS OF SERVICE |
| 0007A | ILLINOIS STATE EMPLOYEES' RETIREMENT SYSTEM | 80,676 | 8 YEARS |
| 0037A | KALAMAZOO COUNTY EMPLOYEES' RETIREMENT PLAN | 1,064 | 8 YEARS |
| 0043F | MN STATE RET. SYSTEM ELECTIVE OFFICERS' RET. PLAN | 0 | 8 YEARS |
| 0064D | EMPLOYEES' RETIREMENT SYSTEM OF GEORGIA - LEGISLATIVE | 210 | 8 YEARS |
| 0110A | ILLINOIS MUNICIPAL RETIREMENT FUND | 157,816 | 8 YEARS |
| 0169A | OKLAHOMA PUBLIC EMPLOYEES RETIREMENT SYSTEM | 42,886 | 8 YEARS |
| 0173A | WAYNE COUNTY EMPLOYEES' RETIREMENT SYSTEM | 5,407 | 8 YEARS |
| 0183A | MICHIGAN JUDGES RETIREMENT SYSTEM | 399 | 8 YEARS |
| 0007B | ILLINOIS GENERAL ASSEMBLY RETIREMENT SYSTEM | 181 | 8 YEARS (AGE 55); 4 YEARS (AGE 62) |
| 0289A | GOGEBIC COUNTY EMPLOYEES RETIREMENT PLAN | 375 | 8 YEARS OF SERVICE |
| 0304A | ALASKA TEACHERS' RETIREMENT SYSTEM | 9,164 | 8 YEARS OF SERVICE |
| 0329A | CITY OF GRAND RAPIDS GENERAL EMPLOYEES' RETIREMENT SYSTEM | 1,176 | 8 YEARS OF SERVICE |
| 0451A | ELK COUNTY EMPLOYEES' RETIREMENT PLAN | 132 | 8 YEARS OF SERVICE |
| 0474A | VILLAGE OF MOUNT PROSPECT-POLICE | 82 | 8 YEARS OF SERVICE |
| 0195I | MONTANA PUBLIC EMPLOYEES' RETIREMENT DEFERRED COMPENSATION | 7,048 | ACCOUNT BALANCES ARE FULLY VESTED AT TIME OF DEPOSIT |
| 0087B | NEW HAMPSHIRE RETIREMENT SYSTEM - TEACHERS' PLAN | 14,114 | AGE 60 W/ ANY YEARS |
| 0235A | NEBRASKA PERS SCHOOL PLAN | 34,718 | AGE 65 WITH 5 YEARS CREDITED SERVICE; AGE 65 REGARDLESS OF SERVICE |
| 0426A | CONSOLIDATED POLICE & FIREMEN'S PENSION FUND OF NEW JERSEY (CPFPF) | 43,331 | CLOSED PLAN, NO ACTIVE MEMBERS |
| 0098A | WISCONSIN RETIREMENT SYSTEM | 258,195 | IMMEDIATE VESTING |
| 0107B | CALIFORNIA STATE TEACHERS' RETIREMENT SYSTEM CASH BALANCE PROGRAM | 9,552 | IMMEDIATE VESTING |
| 0138B | MISSOURI ADMINISTRATIVE LAW JUDGES' RETIREMENT PLAN | 52 | IMMEDIATE VESTING |
| 0138C | MISSOURI REGULAR JUDGES' RETIREMENT PLAN | 375 | IMMEDIATE VESTING |
| 0235C | NEBRASKA PERS JUDGES' RETIREMENT PLAN | 157 | IMMEDIATE VESTING |
| 0505A | VILLAGE OF BOLINGBROOK POLICE PENSION PLAN | 86 | IMMEDIATE VESTING |
| 0542D | City of St Petersburg | 100 | immediate vesting |
| 0057B | WYOMING VOLUNTEER FIREMEN'S PLAN | 2,118 | MUST BE VOLUNTEER UNTIL AGE 60 |
| 0090A | Charlotte Firefighters' Retirement Plan | 0 | |
| 0534A | Miami Shores General Employees Retirement Plan | 0 | |

| | | |
|-------|---|-----------|
| 0650A | Fairfax County Water Authority Retirement Plan | 0 |
| 0655A | Spokane Employees' Retirement Plan | 0 |
| | Number of plans with vesting requirements of 10 or more years | 96 |
| | Active members of plans with vesting requirements of 10 or more years | 3,662,540 |
| | Number of plans with vesting requirements of less than 10 years | 172 |
| | Active members of plans with vesting requirements of less than 10 years | 5,988,342 |
| | Number of plans with vesting requirements of 5 years or less | 132 |
| | Active members of plans with vesting requirements of 5 years or less | 4,908,400 |

* About 50,000 members in Tier 2

FISCAL NOTE – DRAFT

REQUEST NO.

RESPONDING AGENCY:

CODE:

DATE:

BILL NUMBER:

Office of the State Actuary

035

11/12/04

Z-0874.1/04

SUMMARY OF BILL:

This bill impacts the Teachers Retirement System (TRS), School Employee's Retirement System (SERS), and Public Employee's Retirement System (PERS) Plans 3 by lowering the vesting period for the defined benefit portion of these plans from ten years to five.

Effective Date: 90 days after passage.

CURRENT SITUATION:

New Plan 3 members of TRS, SERS, and PERS are vested in the defined benefit portion of their Plan after ten years of service, or after five years of service if 12 months of that service is earned after attaining age 54. Plan 3 members are immediately vested in the defined contribution side of their Plan. Those who transferred from Plan 2 to Plan 3 were automatically vested if they had five years of service in Plan 2 as of July 1, 1996, September 1, 2000 and June 1, 2003, the initial transfer dates for TRS, SERS and PERS respectively.

MEMBERS IMPACTED:

The counts of active vested and non-vested members are shown below. Not included in these counts are terminated non-vested members who would add to the total should they become re-employed. As of the most recent valuation, nearly 48,600 plan 3 members had less than 10 years of service or were not vested in plan 2 on July 1, 1996 in TRS, September 1, 2000 in SERS or June 1, 2003 in PERS, or did not have 5 years of service including 12 months after age 54. Any of these non-vested members would be affected by this bill if they were to quit with between 5 to 10 years of service and before they earned 12 months of service after age 54.

| System / Plan | Vested | Non-Vested |
|---------------|--------|------------|
| PERS 3 | 10,455 | 5,054 |
| TRS 3 | 17,154 | 28,644 |
| SERS 3 | 12,025 | 14,896 |

FISCAL IMPACT:

Actuarial Determinations:

The bill will impact the actuarial funding of the TRS, SERS and PERS system by increasing the present value of benefits payable under the System (for existing members impacted by this bill) and the required actuarial contribution rate as shown below:

| <i>(Dollars in Millions)</i> | | Current | Increase | Total |
|---|-----------------|------------|--------------|------------|
| Actuarial Present Value of Projected Benefits | | | | |
| (The Value of the Total Commitment to all Current Members) | | | | |
| | PERS 2/3 | \$ 13,093 | \$ 3 | \$ 13,096 |
| | TRS 2/3 | \$ 4,422 | \$ 11 | \$ 4,433 |
| | SERS 2/3 | \$ 1,804 | \$ 7 | \$ 1,811 |
| Unfunded Actuarial Accrued Liability | | NA | NA | NA |
| (The Portion of the Plan 1 Liability that is Amortized at 2024) | | | | |
| Unfunded Liability (PBO) | | | | |
| (The Value of the Total Commitment to all Current Members Attributable to Past Service) | | | | |
| | PERS 2/3 | \$ (3,924) | \$ 1 | \$ (3,923) |
| | TRS 2/3 | \$ (1,715) | \$ 5 | \$ (1,710) |
| | SERS 2/3 | \$ (620) | \$ 3 | \$ (617) |
| Required Contribution Rate (Employer) | | | | |
| | PERS 2/3 | 3.78% | 0.01% | 3.79% |
| | TRS 2/3 | 3.19% | 0.03% | 3.22% |
| | SERS 2/3 | 3.64% | 0.05% | 3.69% |

(The PERS rate of 3.78% is composed of the employer normal cost rate of 2.63% and a UAAL rate or "Plan 2/3 Employer for Plan 1" rate of 1.15%. This bill would increase the normal cost rate from 2.63% to 2.64%, the UAAL rate would remain unchanged)

(The TRS rate of 3.19% is composed of the employer normal cost rate of 1.98% and a UAAL rate or "Plan 2/3 Employer for Plan 1" rate of 1.21%. This bill would increase the normal cost rate from 1.98% to 2.01%, the UAAL rate would remain unchanged)

(The SERS rate of 3.64% is composed of the employer normal cost rate of 2.49% and a UAAL rate or "Plan 2/3 Employer for Plan 1" rate of 1.15%. This bill would increase the normal cost rate from 2.49% to 2.54%, the UAAL rate would remain unchanged)

Fiscal Budget Determinations:

As a result of the higher required contribution rate, the increase in funding expenditures (for existing members impacted by this bill) is projected to be:

| | | | |
|--|-------------|------------|-------------|
| Effective September 1, 2004 | <u>PERS</u> | <u>TRS</u> | <u>SERS</u> |
| Increase in Contribution Rates: | | | |
| Employee | 0.01% | 0.03% | 0.05% |
| Employer State | 0.01% | 0.03% | 0.05% |
| Costs (in Millions): | | | |
| 2004-2005 | | | |
| State: | | | |
| General Fund | \$ 0.1 | \$ 0.7 | \$ 0.3 |
| Non-General Fund | 0.2 | 0.0 | 0.0 |
| Total State | 0.3 | 0.7 | 0.3 |
| Local Government | 0.3 | 0.1 | 0.3 |

Effective September 1, 2004

2005-2007

State:

| | | | |
|--------------------|------------|------------|------------|
| General Fund | \$ 0.3 | \$ 2.0 | \$ 0.8 |
| Non-General Fund | <u>0.5</u> | <u>0.0</u> | <u>0.0</u> |
| Total State | 0.8 | 2.0 | 0.8 |
| Local Government | 0.7 | 0.4 | 0.7 |

2004-2029

State:

| | | | |
|--------------------|-------------|-------------|-------------|
| General Fund | \$ 8.1 | \$ 47.2 | \$ 19.4 |
| Non-General Fund | <u>13.3</u> | <u>0.0</u> | <u>0.0</u> |
| Total State | 21.4 | 47.2 | 19.4 |
| Local Government | 18.8 | 9.5 | 17.2 |

State Actuary's Comments:

This bill does not modify the employee/employer level of cost sharing as defined in the actuarial funding chapter - Chapter 41.45 RCW. As a result, the cost of this plan 3 benefit enhancement is shared equally among plan 2/3 employers and plan 2 employees.

STATEMENT OF DATA AND ASSUMPTIONS USED IN PREPARING THIS FISCAL NOTE:

The costs presented in this fiscal note are based on our understanding of the bill as well as generally accepted actuarial standards of practice including the following:

1. Costs were developed using the same membership data, methods, assets and assumptions as those used in preparing the September 30, 2002 actuarial valuation report of the Teachers Retirement System, School Employee's Retirement System, and Public Employee's Retirement System.
2. As with the costs developed in the actuarial valuation, the emerging costs of the System will vary from those presented in the valuation report or this fiscal note to the extent that actual experience differs from that projected by the actuarial assumptions.
3. Additional assumptions used to evaluate the cost impact of the bill which were not used or disclosed in the actuarial valuation report include the following: None.
4. The analysis of this bill does not consider any other proposed changes to the system. The combined effect of several changes to the system could exceed the sum of each proposed change considered individually.
5. This fiscal note is intended for use only during the 2004 Legislative Session.
6. The funding method used for Plan 1 utilizes the Plan 2/3 employer/state rate as the Normal Cost and amortizes the remaining liability (UAAL) by the year 2024. Benefit increases to Plan 2/3 will change the UAAL in Plan 1. The cost of benefit increases to Plan 1 increases the UAAL.
7. Plan 2/3 utilizes the Aggregate Funding Method. The cost of Plan 2/3 is spread over the average working lifetime of the current active Plan 2/3 members.

GLOSSARY OF ACTUARIAL TERMS:

Actuarial Present Value: The value of an amount or series of amounts payable or receivable at various times, determined as of a given date by the application of a particular set of Actuarial Assumptions (i.e. interest rate, rate of salary increases, mortality, etc.)

Projected Benefits: Pension benefit amounts which are expected to be paid in the future taking into account such items as the effect of advancement in age as well as past and anticipated future compensation and service credits.

Normal Cost: Computed differently under different funding methods, the normal cost generally represents the portion of the cost of projected benefits allocated to the current plan year.

Unfunded Actuarial Accrued Liability (UAAL): The cost of Plan 1 is divided into two pieces:

- The Normal Cost portion is paid over the working lifetime of the Plan 1 active members. The remaining cost is called the UAAL.
- The UAAL is paid for by employers as a percent of the salaries of all plan 1, 2 and 3 members until the year 2024.

Pension Benefit Obligation (PBO): The portion of the Actuarial Present Value of future benefits attributable to service credit that has been earned to date (past service).

Unfunded Liability (Unfunded PBO): The excess, if any, of the Pension Benefit Obligation over the Valuation Assets. This is the portion of all benefits earned to date that are not covered by Plan assets.

1 AN ACT Relating to vesting after five years of service in the
2 defined benefit portion of the public employees' retirement system, the
3 school employees' retirement system, and the teachers' retirement
4 system plan 3; and amending RCW 41.32.875, 41.35.680, and 41.40.820.

5 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF WASHINGTON:

6 **Sec. 1.** RCW 41.32.875 and 2000 c 247 s 903 are each amended to
7 read as follows:

8 (1) NORMAL RETIREMENT. Any member who is at least age sixty-five
9 and who has((÷

10 ~~(a))~~ completed ~~((ten))~~ five service credit years~~((÷or~~
11 ~~(b) Completed five service credit years, including twelve service~~
12 ~~credit months after attaining age fifty four; or~~

13 ~~(c))~~ or completed five service credit years by July 1, 1996, under
14 plan 2 and who transferred to plan 3 under RCW 41.32.817~~((÷))~~
15 shall be eligible to retire and to receive a retirement allowance
16 computed according to the provisions of RCW 41.32.840.

17 (2) EARLY RETIREMENT. Any member who has attained at least age
18 fifty-five and has completed at least ten years of service shall be
19 eligible to retire and to receive a retirement allowance computed

1 according to the provisions of RCW 41.32.840, except that a member
2 retiring pursuant to this subsection shall have the retirement
3 allowance actuarially reduced to reflect the difference in the number
4 of years between age at retirement and the attainment of age sixty-
5 five.

6 (3) ALTERNATE EARLY RETIREMENT. Any member who has completed at
7 least thirty service credit years and has attained age fifty-five shall
8 be eligible to retire and to receive a retirement allowance computed
9 according to the provisions of RCW 41.32.840, except that a member
10 retiring pursuant to this subsection shall have the retirement
11 allowance reduced by three percent per year to reflect the difference
12 in the number of years between age at retirement and the attainment of
13 age sixty-five.

14 **Sec. 2.** RCW 41.35.680 and 2000 c 247 s 906 are each amended to
15 read as follows:

16 (1) NORMAL RETIREMENT. Any member who is at least age sixty-five
17 and who has((÷

18 ~~(a))~~ completed ~~((ten))~~ five service credit years~~((÷or~~

19 ~~(b) Completed five service credit years, including twelve service~~
20 ~~credit months after attaining age fifty four; or~~

21 ~~(c))~~ or completed five service credit years by September 1, 2000,
22 under the public employees' retirement system plan 2 and who
23 transferred to plan 3 under RCW 41.35.510((÷))
24 shall be eligible to retire and to receive a retirement allowance
25 computed according to the provisions of RCW 41.35.620.

26 (2) EARLY RETIREMENT. Any member who has attained at least age
27 fifty-five and has completed at least ten years of service shall be
28 eligible to retire and to receive a retirement allowance computed
29 according to the provisions of RCW 41.35.620, except that a member
30 retiring pursuant to this subsection shall have the retirement
31 allowance actuarially reduced to reflect the difference in the number
32 of years between age at retirement and the attainment of age sixty-
33 five.

34 (3) ALTERNATE EARLY RETIREMENT. Any member who has completed at
35 least thirty service credit years and has attained age fifty-five shall
36 be eligible to retire and to receive a retirement allowance computed
37 according to the provisions of RCW 41.35.620, except that a member

1 retiring pursuant to this subsection shall have the retirement
2 allowance reduced by three percent per year to reflect the difference
3 in the number of years between age at retirement and the attainment of
4 age sixty-five.

5 **Sec. 3.** RCW 41.40.820 and 2000 c 247 s 309 are each amended to
6 read as follows:

7 (1) NORMAL RETIREMENT. Any member who is at least age sixty-five
8 and who has((÷

9 ~~(a)) completed ((ten)) five service credit years((÷or~~
10 ~~(b) Completed five service credit years, including twelve service~~
11 ~~credit months after attaining age fifty-four; or~~

12 ~~(c)) or completed five service credit years by the transfer~~
13 payment date specified in RCW 41.40.795, under the public employees'
14 retirement system plan 2 and who transferred to plan 3 under RCW
15 41.40.795((÷))

16 shall be eligible to retire and to receive a retirement allowance
17 computed according to the provisions of RCW 41.40.790.

18 (2) EARLY RETIREMENT. Any member who has attained at least age
19 fifty-five and has completed at least ten years of service shall be
20 eligible to retire and to receive a retirement allowance computed
21 according to the provisions of RCW 41.40.790, except that a member
22 retiring pursuant to this subsection shall have the retirement
23 allowance actuarially reduced to reflect the difference in the number
24 of years between age at retirement and the attainment of age sixty-
25 five.

26 (3) ALTERNATE EARLY RETIREMENT. Any member who has completed at
27 least thirty service credit years and has attained age fifty-five shall
28 be eligible to retire and to receive a retirement allowance computed
29 according to the provisions of RCW 41.40.790, except that a member
30 retiring pursuant to this subsection shall have the retirement
31 allowance reduced by three percent per year to reflect the difference
32 in the number of years between age at retirement and the attainment of
33 age sixty-five.

--- END ---